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Major Management Challenges and Program Risks

Social Security Administration

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Abstract
This report addresses the major performance and accountability challenges facing the Social Security Administration (SSA) as it seeks to promote the economic security of the nations people through compassionate and vigilant leadership in shaping and managing Americas social security programs. It includes a summary of actions that SSA has taken and that are under way to address these challenges. It also outlines further actions that GAO believes are needed. This analysis should help the new Congress and administration carry out their responsibilities and improve government for the benefit of the American people.

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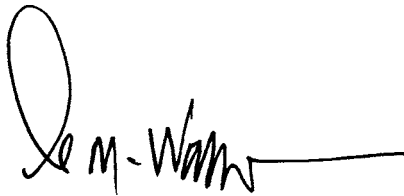| **Number of Pages** 45	

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The President of the Senate
The Speaker of the House of Representatives

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accountability challenges facing the Social Security
Administration (SSA) as it seeks to "promote the
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This report is part of a special series, first issued in
January 1999, entitled the *Performance and
Accountability Series: Major Management Challenges
and Program Risks*. In that series, GAO advised the
Congress that it planned to reassess the methodologies
and criteria used to determine which federal
government operations and functions should be
highlighted and which should be designated as "high
risk." GAO completed the assessment, considered
comments provided on a publicly available exposure
draft, and published its guidance document,
*Determining Performance and Accountability
Challenges and High Risks* (GAO-01-159SP), in
November 2000.

This 2001 *Performance and Accountability Series*
contains separate reports on 21 agencies—covering
each cabinet department, most major independent

agencies, and the U.S. Postal Service. The series also includes a governmentwide perspective on performance and management challenges across the federal government. As a companion volume to this series, GAO is issuing an update on those government operations and programs that its work identified as "high risk" because of either their greater vulnerabilities to waste, fraud, abuse, and mismanagement or major challenges associated with their economy, efficiency, or effectiveness.

David M. Walker
Comptroller General
of the United States

Overview

The Social Security Administration (SSA) oversees three major programs that provide benefits to more than 50 million recipients: the Old Age and Survivors Insurance (OASI) program, the Disability Insurance (DI) program, and the Supplemental Security Income (SSI) program. SSA's fiscal year 1999 expenditures of more than $400 billion constituted over one-fifth of all federal disbursements. This amount is expected to grow over the coming years as the baby-boom generation ages and the life expectancy of Americans continues to lengthen. Even with its considerable workload, SSA is considered a leader in federal service delivery. Additionally, the agency produces timely and accurate financial statements and is a leader among government agencies for its accountability reporting. However, substantial challenges continue to face SSA as it administers its programs now and in the future. The most critical overarching issue facing SSA is the long-term solvency of the social security system. At issue is how to make SSA's programs fiscally sustainable after the large number of Americans born in the baby boom generation become eligible for retirement. Without actions taken to reform the social security system, the nation will face continuing difficulties financing social security benefits in the long term.

In addition to the solvency issue, SSA faces the following major performance and accountability challenges that will further affect its ability to administer critical programs.

Performance and Accountability Challenges

- Play an active research, evaluation, and policy development role

- Improve SSA's disability determination process and return people to work

- Sustain management and oversight of long-standing, high-risk Supplemental Security Income (SSI) issues

- Better position SSA for future service delivery challenges

- Further strengthen controls to protect SSA information

| Research and Evaluation | As the nation's expert on social security issues, SSA is uniquely positioned to assess the programmatic impacts of economic and demographic trends and to identify areas where policy changes are needed to ensure that recipients' needs are met efficiently and cost effectively. However, in numerous reports and testimonies, we have shown that SSA has not always been sufficiently active in using its research, evaluation, and policy development components to identify areas where legislative or other changes are needed and to assist policymakers in developing options for change. Thus, SSA has missed several opportunities to provide information to the Congress and others to use to address crucial policy issues. For example, we reported that SSA was not sufficiently contributing to the solvency and sustainability debate or developing policy options to address long-standing problems with the SSI program. Over the last 2 years, however, SSA has taken action to |

strengthen its research and policy development role, identify emerging issues, and develop options for change. For example, SSA has significantly increased the level of staff and resources available to support research activities and has several analyses planned or underway to address key trust fund solvency, disability program, and SSI program integrity issues. However, many of SSA's actions are still in the early stages. Thus, their effect on SSA program policy is unclear at this time.

Determining Disability and Focusing on Work

SSA's disability determination process is fragmented and complex. As a result, making timely and accurate disability determinations is one of SSA's most challenging service delivery issues. These ongoing weaknesses result in beneficiaries often waiting more than 1 year for final disability decisions. Moreover, SSA's disability programs are expected to grow significantly over the next 10 years. By 2010, SSA expects applications for DI benefits to increase by as much as 54 percent over 1999 levels.

In 1994, SSA embarked on a massive effort to redesign and streamline the agency's disability determination process. The initial redesign plans were overly ambitious, and results were disappointing. Since then, SSA has twice revised and scaled back its initial redesign plan in accordance with our recommendation to emphasize those initiatives offering the greatest potential for improvement, such as efforts to increase the consistency of decisions.

In addition to continued inefficiencies in the determination process, very few beneficiaries return to work because SSA's disability programs focus on applicants' and beneficiaries' inability to work rather than their potential or capacity to work. In 1996, we reported that if only an additional 1 percent of the 6.3 million DI beneficiaries left the rolls and returned to

work, lifetime cash benefits would be reduced by nearly $3 billion. SSA has begun to place greater priority on returning beneficiaries to work. Moreover, the recently passed Ticket to Work and Work Incentives Improvement Act of 1999, which expanded access to vocational services, is expected to enhance work incentives for people with disabilities. This effort represents a positive step toward helping people with disabilities return to work. However, much remains to be done. We have recommended that SSA still needs to move forward in developing a comprehensive return-to-work strategy that integrates, as appropriate, earlier intervention, better identification of work capacities, and essential return-to-work services for applicants and beneficiaries. Such a strategy could require improvements to staff skill levels and areas of expertise, as well as changes to the disability determination process. An improved return-to-work strategy would benefit recipients who want to work and the American taxpayers that support the DI program.

SSI Program Vulnerabilities

Problems we identified with the SSI program, including substantial overpayments and SSA's inability to recover outstanding debt, have spurred congressional criticism of the program. In 1997, we designated SSI a high-risk program because of the program's insufficient management oversight and susceptibility to fraud, waste, and abuse. We found that, to a great extent, SSA's problems stem from an organizational culture that places a greater priority on processing and paying SSI claims than on controlling expenditures and from a management approach characterized by a reluctance to fulfill its role in SSI policy development. Thus, SSA has often paid insufficient attention to verifying recipient financial eligibility, deterring fraud and abuse, and identifying options for addressing underlying policy weaknesses that impede program integrity. Since SSI was designated high-risk, SSA has taken numerous actions to improve program integrity.

For example, SSA has stepped up its efforts to better verify recipient financial eligibility for SSI via enhanced computer matching and other means. The agency also sought and obtained new legislation last year that strengthened its ability to obtain applicant income and resource information from financial institutions, access state databases for essential eligibility information, and use credit bureaus, private collection agencies, interest levies, and other tools to recover delinquent debt.

SSA's initiatives have the potential to significantly improve SSI management and financial integrity. However, additional actions are needed, including revising SSA's work credit and measurement system, which has historically rewarded staff for claims processed rather than for fully verifying applicant eligibility and preventing overpayments. Until further progress is made in these and other areas, the SSI program will remain at high risk of waste, fraud, abuse, and mismanagement.

Serving the Public

Among federal agencies, SSA has long been considered one of the leaders in service delivery. Even though SSA considers service delivery one of its top priorities, the agency faces significant challenges that could hamper its ability to provide high-level service delivery over the next decade and beyond. SSA expects to experience a significant increase in the demand for services as the baby boom generation ages. In addition, the imminent retirement of a large portion of SSA's own workforce over the next decade and changing customer expectations for the types of services delivered will further strain agency operations. SSA's data show that by 2009, more than one-half of its 63,000 employees will be eligible for retirement. By 2010, more than 80 percent of its upper level managers and senior executives will be eligible to retire. Consistent with our recommendations to cope with pending staff retirements, SSA has begun initiatives, such as succession planning and sponsoring

leadership development programs, to prepare its workforce for the future. SSA's human capital problems can be seen as a part of a broader pattern of human capital shortcomings that have eroded mission capabilities across the federal government. See our *High Risk Series: An Update* (GAO-01-263, Jan. 2001) for a discussion of human capital as a governmentwide high-risk area.

In addition to addressing its human capital challenges, SSA has also pursued a number of information technology initiatives to modernize and enhance automation capabilities; however, these efforts have met with mixed success. SSA also recently completed an ambitious "2010 Vision" document, which describes how SSA envisions the agency functioning in the year 2010. While we have not yet fully evaluated the new vision, it represents a positive step toward the agency's acknowledging and preparing for future service delivery challenges. However, the 2010 Vision document does not map out the steps needed to achieve this vision. We have consistently recommended that SSA develop a more detailed service delivery plan to translate its vision into action. Such a plan should specifically discuss how future human capital and information technology investments will be tailored to support new ways of doing business. In the absence of such a plan, scarce budget resources may be spent on initiatives and activities that do not adequately support SSA's future work environment and may ultimately result in a degradation of service to the public.

Internal Control Weaknesses

In prior work, we have reported that SSA must address weaknesses in its information systems' internal controls to ensure that automated agency data are both reliable and credible. In particular, we reported that internal control weaknesses have exposed SSA and its computer systems to external and internal intrusion, thus subjecting automated data to potential unauthorized

access and modification. SSA has made notable progress in addressing information systems internal controls and its ability to respond to a disruption in business as a result of a disaster or long-term crisis. For instance, SSA has strengthened physical security agencywide and successfully tested its critical workloads during fiscal year 2000. However, SSA must continue to focus on internal control issues. A recent audit by an independent accounting firm identified continuing deficiencies in SSA's information systems internal controls in regard to access and other areas. The audit acknowledged SSA's progress in resolving a number of internal control weaknesses but emphasized the importance of continuing corrective actions.

Major Performance and Accountability Challenges

The mission of SSA, established as an independent agency in 1995, is to "promote the economic security of the nation's people through compassionate and vigilant leadership in shaping and managing America's social security programs." With its independence, SSA gained a new measure of control over its resources and the authority to address the various performance and management challenges it faces in its OASI, DI, and SSI programs.

The OASI and DI programs together are commonly known as "social security." They are financed through payroll taxes and provide benefits to retired and disabled workers and their dependents and survivors. In fiscal year 1999, SSA administered the earnings records of 140 million individuals who contributed to the social security system. In addition, about 44 million individuals received more than $380 billion in OASI and DI benefits. SSI is financed from general tax revenues and provides cash assistance to needy, aged, blind, or disabled recipients with limited or no work histories. In fiscal year 1999, 6.6 million recipients were paid more than $28 billion in SSI benefits. Combined, SSA's programs provide essential financial support and touch the lives of nearly every American family.

SSA is considered a front-runner in several important federal management areas, including service delivery and financial reporting. Indeed, in the area of service delivery, in fiscal year 1999, 87 percent of the public rated the agency's service as "good" or "very good." Additionally, for the past 7 years, the agency has received unqualified opinions on its financial statements. Moreover, SSA has been a leader in producing accountability reports. Recent reports were issued several months before the statutory March 1 deadline. In addition, SSA was one of only two federal agencies to receive the Association of Government Accountants "Certificate of Excellence in Accountability Reporting" award for its fiscal year 1999 accountability

report. However, SSA faces several challenges that will affect its ability to administer its programs.

The most critical issue facing SSA is ensuring the long-term solvency of the social security system as the large number of Americans born during the baby boom era become eligible for retirement. Many analysts agree that the social security system as designed and administered will be unable to meet its current commitments to future generations of beneficiaries. Specifically, according to OASDI trustees' estimates, total benefits paid out by SSA will gradually exceed OASDI revenues collected, and by 2037, the trust funds are expected to be depleted. At that time, annual tax revenues will be sufficient to cover only about 72 percent of benefit obligations. To address this situation, there are various reform proposals currently under consideration by the Administration and the Congress. Any actions taken to restore the solvency of the social security system need to address the sustainability of the system, to ensure that the program balances income adequacy and individual equity, and to consider how readily changes could be implemented, administered, and explained to the public.

In addition to the solvency issue, SSA faces additional performance and accountability challenges that we have documented in numerous reports, testimonies, and management reviews of SSA over several years. These include the need for SSA to (1) better use its research, evaluation, and policy components to address crucial program vulnerabilities; (2) improve its disability determination and return-to-work processes; (3) further strengthen the integrity of the SSI program; (4) serve more recipients in an environment of changing customer expectations and fewer staff; and (5) maintain a sound information technology infrastructure to support its operations. SSA's success in addressing these challenges will require sustained management attention and proactive leadership in identifying strategies for change.

Program Challenges Require SSA to Play an Active Research, Evaluation, and Policy Development Role

In prior work, we have noted that addressing the major management and performance challenges facing SSA would require the agency to strengthen its research and policy development activities. Accordingly, we reported that SSA should (1) identify areas where legislative or other changes are needed to address program weaknesses and (2) assist policymakers in exploring and developing options for change.

As the nation's expert on social security issues, SSA is uniquely positioned to assess the programmatic impacts of economic and demographic trends and to identify areas where policy changes are needed to ensure that recipients' needs are met efficiently and cost effectively. However, SSA has not always been sufficiently active in this regard. In monitoring SSA's 1995 transition from a component of the Department of Health and Human Services to an independent agency, we reported that SSA had not always played a leadership role in analyzing and suggesting policy options for its programs. In 1997, SSA's advisory board issued a report that concluded that the agency should take a leadership role in the initiation of major policy changes, rather than continue its pattern of reacting to short-term crises. The board also noted that SSA often had an overly cautious attitude toward initiating analysis of controversial policy issues.

In prior work, we have also reported that SSA had not undertaken the range of research, evaluation, and policy analysis needed to inform policymakers and the public about long-term trust fund financing issues. Thus, SSA was not sufficiently contributing to the national debate surrounding the most critical overarching issue facing its programs. In addition to the solvency debate, we identified other areas that called for enhanced research and policy analysis, such as the need for SSA to develop better data on its disability beneficiary population and the extent to which its disability programs are meeting program objectives, conduct analyses of workload and

retirement trends to prepare for future work environment demands, and develop options for addressing long-standing SSI polices that have contributed to increased overpayments and program abuse.

SSA has acknowledged the need to play a more active research and policy development role. In the last few years, SSA has initiated several reorganizations of its policy component to strengthen its capacity. These reorganizations are expected to enhance SSA's policy capability by linking policy development and analysis to a strong research and evaluation base. According to agency officials, over the last 2 years SSA has significantly increased staff resources and almost doubled—from $17 million to more than $30 million—the amount of funds available to support research by universities and other entities outside the agency.

According to SSA officials, the newly restructured and enhanced policy component has several completed, ongoing, and planned initiatives. For example, the agency recently completed a study of various reform proposals aimed at women and the possible effects of increasing the early retirement age. Additionally, in November 2000, SSA issued a report on the SSI program, including discussion of the status of the program, opportunities to simplify administration of the program, and plans for improving payment accuracy and program integrity. SSA is strengthening its capacity to use different projection models to analyze the implications of proposed program changes. In 1998, SSA also submitted to the Congress its first major SSI legislative proposal aimed at improving program integrity. Finally, SSA's policy component has also taken steps to make more SSA program data and its published reports available via the Internet to a wider range of stakeholders and interested parties.

Reflecting its commitment to this issue, SSA has made conducting effective research, program evaluation, and policy development a key strategic goal. Accordingly, SSA's current strategic plan and fiscal year 2001 performance plan include objectives and strategies for completing additional analyses and providing more timely information to decisionmakers. SSA plans to conduct ongoing research and provide the Congress and others with comprehensive analyses of the impacts of various social security reform proposals. Over the next several years, SSA intends to promote disability program changes by gathering additional data on the characteristics of disability beneficiaries and the factors that may facilitate more effective return-to-work strategies.

SSA's actions to restructure its policy component and the analyses it plans to conduct should enhance its ability to conduct timely research, provide information to decisionmakers, and develop options for legislative change. However, many of SSA's initiatives are still in the planning stages or have not yet been completed. Thus, their effect on SSA program policy is unclear at this time. If sustained, SSA's stepped-up research and policy development activities should allow it to play a more active role in critical policy debates, such as those aimed at ensuring the long-term solvency of social security trust funds. If properly targeted, SSA's actions in other areas should also allow it to identify emerging issues more effectively and to develop sound policy solutions before major program crises occur. SSA intends to measure the success of its efforts by the extent to which its customers—including the Congress and the Office of Management and Budget—believe its research is timely and of high quality. In time, these measures should provide a clearer picture of whether SSA's approach is effective or whether additional actions are needed in research, evaluation, and policy development.

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Additional Progress Is Needed to Improve SSA's Disability Determination Process and to Return People to Work

Our prior work has shown that SSA's disability determination process is time-consuming, complex, and expensive. Individuals who are initially denied benefits by SSA and appeal their claim often wait a long time for a final agency decision. SSA's past efforts to redesign the claims process have not achieved the intended result, and SSA is still trying to improve the process. Because SSA's DI and SSI programs are expected to grow significantly over the next decade, making accurate and timely disability determinations remains one of SSA's most challenging service areas. Additionally, SSA has not developed, as we have recommended, a comprehensive return-to-work strategy that focuses on identifying and enhancing beneficiaries work capacities; consequently, few people have left the rolls to return to work.

Improvements to the Disability Determination Process Have Been Limited

SSA's complex disability claims process has been plagued by a number of long-standing weaknesses that have resulted in lengthy waiting periods for claimants seeking disability benefits. For example, claimants who are dissatisfied with the initial determination and file an appeal frequently wait more than 1 year for a final decision. We have reported that these long waits are due, in part, to complex and fragmented decision-making processes that are laden with many layers of reviews and multiple hand-offs from one person to another. The cost of administering the DI and SSI programs reflects the demanding nature of the process. In fiscal year 1999, SSA spent almost $4.1 billion or 59 percent of its administrative budget on these programs,

even though beneficiaries of these programs comprise less than 20 percent of the agency's total number of beneficiaries.

In addition to its difficulties in processing claims, SSA has also experienced trouble ensuring that decisions about a claimant's eligibility for disability benefits are accurate and consistent across various program components. For example, our work shows that in fiscal year 2000, about 40 percent of applicants whose cases were denied at the initial level appealed this decision, and about two-thirds were awarded benefits. This happens in part because decisionmakers at the initial level use a different approach to evaluate claims and make decisions than those at the appellate level. The inconsistency of decisions at these two levels has raised questions about the fairness, integrity, and cost of SSA's disability programs.

Since 1994, SSA has taken a number of steps to try to address these problems; until recently, it has met with limited success. First, in an effort to improve the claims process, SSA embarked on a massive effort to redesign the way it made disability decisions. Among other things, SSA planned to develop an automated and simpler claims intake and appeal process, a simplified method for making disability decisions, more consistent guidance and training for decisionmakers at all levels of the process, and an improved process for reviewing the quality of eligibility decisions. We concluded in a 1996 report, however, that 2 years into the plan SSA had yet to achieve significant results. The agency's slow progress was due in part to the overly ambitious nature of the redesign plan, the complexity of the redesign initiatives, and inconsistent stakeholder support and cooperation. In our 1996 report, we recommended that the agency focus on those few initiatives considered most crucial and rethink its approach to testing. In 1997, the agency scaled back its plan, but progress continued to be slow, in part because even the scaled-back plan proved too

large and cumbersome to keep on track. By 1998, SSA
was behind on its near-term initiatives, and its proposed
process changes initially showed disappointing and
inconclusive results as tested. Only one of its large tests,
which combined a number of proposed process
changes, began to show promise.

Moreover, as originally envisioned, SSA's plan to
redesign its disability determination process was heavily
dependent upon successful technological
improvements. The agency spent most of the last decade
designing and developing a new computer software
application to automate the disability claims process.
However, SSA experienced performance problems and
delays in developing this software and, after
approximately 7 years and more than $71 million
reportedly spent, decided to discontinue the initiative.

In 1999, we again made a number of recommendations
designed to improve SSA's prospects for success as the
agency continues its efforts to improve the claims
process. We again recommended that the agency focus
its resources on those initiatives offering the greatest
potential for improvement, such as efforts to increase
the consistency of decisions, improve quality assurance,
and enhance computer support systems. In March 1999,
SSA issued a new disability plan that is consistent with
some of our recommendations. According to SSA
officials, the revised redesign plan, even in its scaled
back form, represents the most significant changes to
the disability process since the 1950s. The revised plan
focuses on even fewer initiatives and builds on those
areas where the agency showed some promise. For
example, it emphasizes initiatives to improve the quality
and consistency of decisions. SSA plans to continue
training efforts to improve the consistency of decisions,
which agency officials believe have resulted in 90,000
eligible individuals receiving benefits 500 days sooner
during the years 1997 through 1999. In addition, SSA has
begun broader field-testing of a number of its more

promising initiatives and process changes in an
integrated fashion and is pursuing a new automation
strategy to support the processing of disability claims.

Until recently, SSA's proposed changes primarily
affected the initial decision-making level in the process,
leaving problems largely unresolved at the hearing level,
where appeals are decided. However, beginning in
January 2000, the agency initiated plans to overhaul
operations at its hearing offices in an effort to increase
efficiency and significantly reduce processing times at
that level. Beginning at 37 of its 140 hearings offices,
SSA implemented significant changes in organizational
structure to hold teams accountable for improved
workflow. The agency also plans to improve automation
of data collection and management information. In
addition, SSA has developed and begun implementing an
action plan to improve operations at the Appeals
Council, the final level of administrative review for
appealed cases. However, much is left to be done on this
and all of SSA's disability-related improvement projects,
and the effectiveness of these efforts remains to be seen.
It is vital that SSA address its claims process problems
now, before the agency experiences another surge in
workload when the baby boomers reach their disability-
prone years.

SSA Lacks a Comprehensive Strategy to Return the Disabled to Work

The number of working age beneficiaries of the DI and
SSI programs has increased by 65 percent over the past
10 years (see fig. 1). We have reported that, as the
beneficiary population has grown, numerous
technological and medical advances, combined with
changes in society and the nature of work, have
increased the potential for some people with disabilities
to return to, or remain in, the labor force. Also,
legislative changes have focused on returning disabled
beneficiaries to work. The Americans With Disability
Act supports the premise that people with disabilities
can work and have the right to work, and the Ticket to

Work and Work Incentives Improvement Act of 1999 increased beneficiaries' access to vocational services. Indeed, many beneficiaries with disabilities indicate they want to work, and many can work in today's labor market if they receive needed support. In 1996, we recommended that SSA place a greater priority on helping disabled beneficiaries work, and SSA has taken a number of actions to improve its return-to-work practices. But even with these actions, SSA has achieved poor results in this arena, where less than 1 in 500 DI beneficiaries and few SSI beneficiaries leave the rolls to return to work.

Figure 1: Increase in Disability Beneficiaries, 1989–1999

SSI and DI Recipients (in Millions)
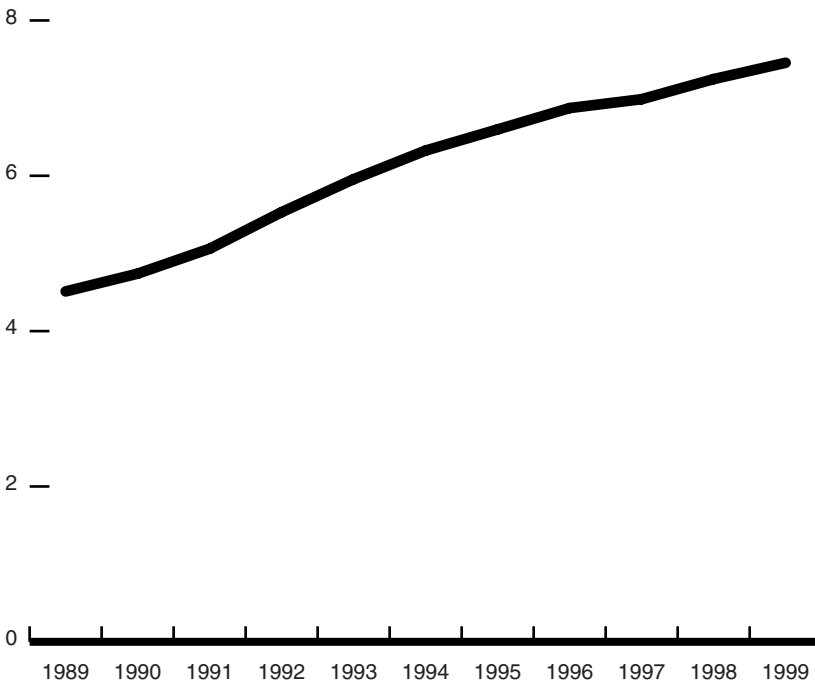
Note: Includes DI disabled workers aged 18-64. Also includes blind and disabled SSI recipients aged 18-64 with a federal SSI payment or a federally administered state supplementation.

Source: GAO analysis of data from SSA's *Annual Statistical Supplement to the Social Security Bulletin,* multiple years.

Even in light of the new Ticket to Work Act, SSA will continue to face difficulties in returning some of its beneficiaries to work, in part due to statutory and policy weaknesses in the design of the DI program. As we have reported in the past, these weaknesses include an either-or disability decision-making process that characterizes individuals as either unable to work or having the

capacity to work. This either-or process produces a strong incentive for applicants to establish their inability to work to qualify for benefits. Moreover, return-to-work services are offered only after a lengthy determination process. Because many applicants are unemployed at the time of application and remain unemployed during the eligibility determination process, it is likely that their skills, work habits, and motivation to work deteriorate during this wait. Thus, individuals who have successfully established their disability may have little reason or desire to attempt rehabilitation and competitive work. Unlike some private sector disability insurers and foreign social insurance systems, SSA does not incorporate into its initial or continuing eligibility assessment process an evaluation of what is needed for an individual to return to work. Instead, an individual who might have been able to stay in the workforce or return to work with assistance—and thus stay off the long-term disability benefit rolls—has little choice but to prove his or her inability to work to obtain assistance through DI or SSI.

Moreover, SSA has not traditionally reported on its progress in returning people with disabilities to work. In its fiscal year 1999 performance report, SSA's return-to-work performance measures were focused on activities, such as SSA's progress in developing tools to help beneficiaries achieve self-sufficiency, rather than on the outcome of whether individuals were being returned to work. SSA recognized that its performance measures did not track long-term achievement of self-sufficiency and that it needed to establish better measures. The agency has taken some preliminary steps in that direction with its fiscal year 2001 performance plan, which tracks the percentage increase in beneficiaries who begin a trial work period or who participate in a program that permits them to work and to continue receiving benefits under certain conditions.

In addition, SSA has recently stepped up its return-to-work efforts. For example, it has (1) established an Office of Employment Support Programs to promote employment of disabled beneficiaries, (2) raised the limit on the amount a DI beneficiary can earn from work and still receive benefits to encourage people with disabilities to work, (3) funded 12 state partnership agreements that are intended to help the states develop services to increase beneficiary employment, and (4) begun a demonstration project to determine whether providing access to the right medical treatment for some beneficiaries will enable them to work.

While these efforts represent positive steps in trying to return people with disabilities to work, much remains to be done. As we have recommended previously, SSA should develop a comprehensive return-to-work strategy that integrates, as appropriate, earlier intervention, including earlier and more effective identification of work capacities and expansion of such capacities by providing necessary return-to-work assistance for applicants and beneficiaries. Adopting a comprehensive return-to-work strategy will require fundamental changes to the underlying philosophy and direction of the DI and SSI programs, including the determination of disability. Policymakers will need to carefully weigh the implications of such changes.

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Long-Standing, High-Risk SSI Issues Require Sustained Management and Oversight

In prior work, we have reported on SSI program abuses and mismanagement, increases in overpayments, and SSA's difficulties in recovering outstanding SSI debt. These issues have spurred congressional criticism of SSA's ability to manage its workloads effectively. In February 1997, we designated SSI a high-risk program because of its susceptibility to fraud, waste, abuse, and mismanagement. We found that, to a great extent, SSA's inability to address its most significant problems with the SSI program is attributable to two underlying causes: (1) an organizational culture that places greater priority on processing and paying claims than on controlling program expenditures and (2) a management approach characterized by SSA's reluctance to fulfill its policy development and planning role in advance of major program crises.

In regard to SSA's organizational culture, our prior work confirmed that there has been a tendency among staff and managers to view the SSI program in much the same way as SSA's OASI and DI programs—where emphasis is placed on quickly processing claims for individuals with an earned right to benefits—rather than as a welfare program, where additional income and asset verifications are necessary. As a result, SSA has often relied heavily on recipient self-reporting of their financial circumstances, with insufficient agency verification. SSA's culture has also contributed to the low priority placed on recovering overpayments once they are identified. This has been evidenced by SSA's past reluctance to use available overpayment recovery tools and to pursue additional tools aggressively when warranted, including tax refund offsets, credit bureau reporting, collection agencies, and interest levies on outstanding debt. In fiscal year 1999, outstanding SSI debt and newly detected overpayments for the year totaled more than $3.8 billion. SSI write-offs— overpayments waived or deemed uncollectable by SSA—also totaled about $466 million for the year. We

have reported that write-offs represent overpaid
program dollars that SSA will likely never recover.

In regard to SSA's management approach, our work also
shows that SSA's actions have been historically reactive
in nature, resulting in missed opportunities to address
critical policy issues before they reach crisis levels.
However, in response to our high-risk designation and
report recommendations, SSA has taken steps in
coordination with the Congress to improve the financial
integrity and management of SSI. For example, in 1998,
SSA submitted its first major SSI legislative proposal,
which included numerous overpayment deterrence and
recovery provisions. Many of these provisions were
incorporated into the Foster Care Independence Act,
which was signed into law last year. The Act, which
directly addresses several of our prior
recommendations, provides SSA with additional tools
for obtaining applicant income and resource
information from financial institutions, accessing state
databases for essential eligibility information, imposing
a period of ineligibility for applicants who transfer
assets to qualify for SSI benefits, and using credit
bureaus, private collection agencies, interest levies, and
other means to recover delinquent debt.

SSA also produced its first SSI management report in
1998, which discussed its intent to take aggressive
action to control program overpayments and
outstanding debt. And, according to SSA officials, the
agency is currently doing this in part through enhanced
computer matching and other means. This includes
more frequent (monthly) data matches to identify
ineligible SSI recipients residing in nursing homes and
stepping up efforts to obtain online access to SSI
recipient employment and income information. In fiscal
year 1999, SSA also sought and obtained additional
budget resources to substantially increase the number
of SSI financial redeterminations conducted. These
reviews focus on income and resource factors affecting

eligibility and payment amounts. Through this effort, SSA calculated that it collected and prevented nearly $600 million in overpayments above fiscal year 1998 levels. SSA's Office of Inspector General (OIG) has also significantly increased the level of resources and staff dedicated to investigating program fraud and abuse. Finally, SSA has begun using tax refund offsets for delinquent SSI debtors and has recovered about $84 million in additional collections over the last 2 fiscal years. This increased emphasis on program integrity is further evident in SSA's planning and performance measurement activities. SSA's current strategic and annual performance plans include several goals and performance measures targeted specifically at achieving SSA's goal of improving SSI program integrity and addressing fraud and abuse.

SSA's initiatives have the potential to significantly improve SSI management and financial integrity. However, many problems facing the program are attributable to more than 20 years of inattention to payment controls and will take time to correct. SSI overpayments and outstanding debt owed to the program remain at high levels. Further, our recent work shows that SSI continues to be vulnerable to abuse, especially from individuals feigning disabilities with the help of suspicious medical providers and middlemen. Last year, the OIG reported that, since 1998, SSI representative payees[1] have defrauded the program of nearly $8 million in benefit payments. This was attributable primarily to SSA's failure to screen and monitor these individuals sufficiently. SSA's OIG also recently reported that, due to weaknesses in SSA's verification processes, thousands of fugitive felons incorrectly received $76 million in SSI benefits over the

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[1]SSA appoints representative payees to SSI recipients whom it has determined incapable of managing their own benefits.

last several years, despite a law prohibiting such payments.

We believe that sustained and additional actions are needed to improve SSI program integrity. In accordance with our prior recommendations, SSA should move forward in fully implementing the debt collection tools currently available to it, continue to develop additional ways to improve program management and integrity, and seek legislative changes as appropriate. SSA should also consider ways to revise its work credit and measurement system, which has historically rewarded staff for cases processed, rather than thoroughly verifying applicant eligibility or preventing overpayments. Any revised system should include specific goals and performance measures to hold staff and managers accountable for ensuring program integrity. If properly implemented and managed, such measures should ultimately facilitate a change in SSA's organizational culture and provide much-needed incentives for staff to devote time to verifying recipient information, preventing fraud and abuse, and controlling program overpayments. Until additional progress is made, the SSI program will remain at high risk for waste, fraud, abuse, and mismanagement.

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SSA Needs to Better Position Itself for Future Service Delivery Challenges

Among federal agencies, SSA has long been considered one of the leaders in service delivery. Indeed, for fiscal year 1999, SSA reported that 87 percent of the public rated its services as "good" or "very good." SSA considers service delivery one of its top priorities, and

its current performance report includes specific goals and strategies to provide accurate, timely, and useful service to the public. Our work shows, however, that the agency is not without weaknesses in its current service delivery system. For example, although 800-number answers given to customers concerning their benefit payments were largely correct during fiscal year 1999, 20 percent of nonpayment-related answers were inaccurate. Also, in 1999, the Social Security Advisory Board reported that many persons who visited one of SSA's field offices encountered crowded waiting areas and long waiting times for service.

More importantly, however, SSA faces significant future challenges that could hamper its ability to provide high-level service delivery, including a projected increase in the demand for services. Demand for services will grow rapidly as the baby boom generation ages and enters the disability-prone years (see fig. 2). By 2010, SSA expects applications for DI to increase by as much as 54 percent over 1999 levels. Determining eligibility for disability benefits is a complex process that spans a number of offices and can take over a year to complete. As discussed in the section on disability, SSA already has trouble managing its disability determination workload; adding additional cases without rectifying case processing issues will result in greater service delivery problems for SSA. By 2010, SSA also expects that applications for retirement benefits will increase by 20 percent over 1999 levels.

Figure 2: Predicted Increases in OASI, DI, and SSI Applications

Number of Claims

Total Applications Predicted

Total SSI

Total DI

Total OASI

Fiscal Year
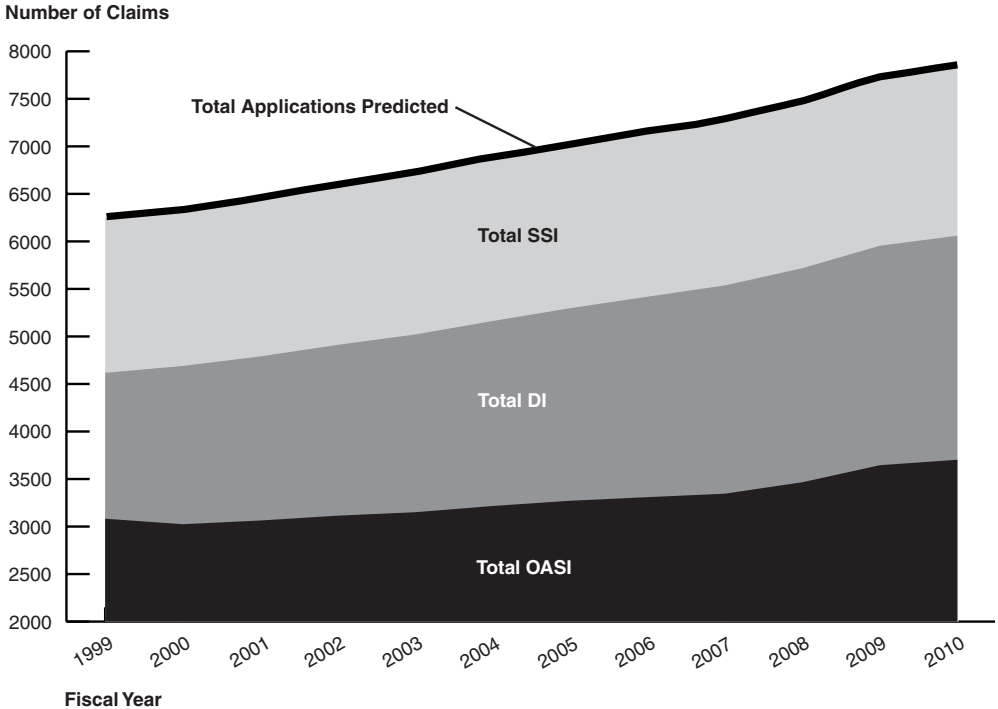
Note: SSA's Office of the Chief Actuary does not have estimates of applications for OASI and DI beyond 2010. Also, these estimates reflect some double-counting of those individuals who apply for both DI and SSI, a group that is expected to grow from about 480,000 in fiscal year 1999 to 640,000 in fiscal year 2010.

Source: Data provided by SSA's Office of the Chief Actuary.

Other challenges facing SSA's ability to provide high-quality service delivery, center on its workforce. First, SSA's workforce is aging, and beginning in 2001, SSA is predicting a retirement wave that will peak in 2009 when more than one-half of SSA's 63,000 employees will be eligible for retirement. The percentage is higher for employees in SSA's supervisor or manager ranks. In

particular, more than 80 percent of SSA's upper-level managers and executives (GS-14, GS-15, and SES level) will be eligible to retire by 2010. Secondly, SSA will need to increase staff skills to deal with changing customer expectations and needs. SSA's already-limited information systems staff will be increasingly challenged to develop and implement new technologies, including more electronic (for example, Internet) applications to serve the public in a more convenient, cost-effective, and secure manner. At the same time, some aspects of SSA's customer service workload will likely become more time-consuming and labor intensive. This is primarily due to the growing proportion of SSA's non-English speaking customers and the rising number of disability cases involving mental impairments. Both situations result in more complex cases that require diverse staff skills.

SSA has a number of initiatives underway to try to prepare for its future challenges. In 1998, it began working on an effort to systematically monitor and measure the needs, expectations, priorities, and satisfaction of customer groups, major stakeholders, and its workforce. Additionally, as we recommended in 1993, and as required by law, SSA recently developed a workforce transition plan to spell out steps needed so that its workforce will be able to handle future service delivery challenges. In addition, recognizing that it will shortly be facing the prospect of increasing retirements, SSA conducted a study that predicts staff retirements and attrition by year, from 1999 to 2020, by major job position and agency component. This initiative went beyond identifying the dates that its employees first became eligible to retire by also factoring in 10 years of historical retirement data to make more realistic projections. SSA is also beginning to take steps to fill its expected leadership gap. We have long stressed the importance of succession planning and formal programs to develop and train managers at all levels at SSA. As early as 1993, we recommended that SSA make

succession planning a permanent aspect of its human resource planning and evaluate the adequacy of its investments in management training and development. SSA recently created three new leadership development programs to help prepare selected staff to assume mid- and top-level leadership positions at the agency. Thus far, the agency's workforce approach shows promise in that many of its steps are consistent with principles of human capital management.

To cope with its growing workloads, SSA plans to rely extensively on information technology to help it achieve processing efficiencies and improved customer service. To this end, the agency has devoted considerable time and effort to identifying strategies to meet its goal of providing world-class service. For example, SSA has recently begun to offer retirees the option of applying for benefits online. SSA has also pursued a number of initiatives over the past decade aimed at establishing the technological infrastructure needed to enhance its claims-processing capabilities and the overall administration of its programs. For example, SSA implemented the Intelligent Workstation/Local Area Network to provide the automation infrastructure to support its redesigned work processes and improve the availability and timeliness of information, and it is pursuing other initiatives to achieve electronic disability processing. However, SSA has experienced mixed success in carrying out its information technology initiatives, and we found that it has not been able to clearly demonstrate the benefits resulting from some of its most significant investments. Because many of SSA's information technology initiatives are still in various stages of development, evidence of how they will improve the agency's processing capabilities and service to the public remains to be seen.

More recently, SSA has taken additional steps to better plan for its future service delivery challenges. In 2000, SSA completed an ambitious "2010 Vision" document

that articulates how it envisions the agency functioning in the year 2010. For example, SSA anticipates offering services either inperson, over the telephone, or via the Internet, where telephonic and electronic access services are equipped with sophisticated voice recognition and language translation features and where work is accomplished through a paperless process. In the "Vision" document, SSA also states that it will rely heavily on technology and a workforce with diverse and updated skills to accomplish its mission. While we have not yet fully evaluated this new vision, it represents a positive agency step toward acknowledging and preparing for future service delivery challenges. However, to be useful in making information technology and workforce decisions, we have stressed that this document should be followed by a more detailed service delivery plan that spells out who will provide what type of services in the future and where these services will be made available. SSA has not yet developed such a blueprint for how it will achieve its vision.

The combination of the expected increase in demand for services, imminent retirement of a large part of its workforce, changing customer expectations, and questionable success in technology investment is a potentially crippling force to SSA's service delivery. SSA has begun taking concrete steps to address these challenges; however, without a service delivery plan, SSA cannot ensure that its investments in its workforce and technology are consistent with and fully support its future approach to service delivery.

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SSA Needs to Further Strengthen Controls to Protect Its Information

With the retirement of the baby-boom generation and individuals living longer in retirement, SSA will soon be serving greater numbers of individuals with fewer staff. To handle these workload demands, SSA is counting on the effective use of technology and automated financial and performance data to guide and evaluate the impact of its efforts. In prior work, we have reported that SSA must address weaknesses in its information systems' internal controls to ensure that automated agency data are both reliable and credible. In particular, we reported that internal control weaknesses have exposed the agency and its computer systems to external and internal intrusion, thus subjecting automated data to potential unauthorized access and modification. SSA has made notable progress in addressing information systems internal control weaknesses and in strengthening its ability to respond effectively to a disruption in business as a result of a disaster or long-term crisis. For instance, SSA has issued a security policy, strengthened physical security agencywide, and successfully tested its critical workloads during FY 2000.

It is important for SSA to continue to address weaknesses in its information systems' internal controls. A recent audit by an independent public accounting firm noted continuing weaknesses in several components of SSA's overall information protection internal control structure. The general areas where exposures occurred included (1) controls designed to limit or detect access to computer programs, data, and other computing resources at nonheadquarters sites; (2) policies and rules governing the operation of devices that control external access to the SSA network; and (3) the

technical configuration of a contractor-controlled area of SSA's network.[2] Until corrected, a weakened or incomplete information protection control structure will continue to impair SSA's ability to mitigate the risk of unauthorized access, modification, or disclosure of sensitive SSA information.

The audit acknowledged SSA's progress in resolving these issues, and it emphasized the importance of continuing corrective action. The need for a strong entitywide security framework to address threats to the security and integrity of SSA operations will grow as the agency moves ahead with plans to increase its dependency on the Internet and Web-based applications to serve the American public. The audit recommended that SSA accelerate and build on its progress to enhance information protection.

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[2]SSA corrected the last item prior to issuance of the audit report.

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